

CITY OF LEMMON
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

CITY OF LEMMON
CITY OFFICIALS
DECEMBER 31, 2013

Mayor:

Neal Pinnow

Governing Board:

James Stock
Jim Lorenz
Jill Anderson
Peter Butterfield
Melissa Reede
Garrett Schweitzer

Finance Officer:

Barb Bartell

Attorney:

Shane C. Penfield

CITY OF LEMMON

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WITH OFFICE IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council
City of Lemmon
Lemmon, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemmon, South Dakota (City), as of December 31, 2013, and for the year then ended, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 3, 2014, which was adverse because of financial statement deficiencies. Our report includes a reference to other auditors who audited the financial statements of Lemmon Housing and Redevelopment Commission, as described in our report on City of Lemmon's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items 2013-01 through 2013-06 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Current Audit Findings as item 2013-05.

City's Response to Findings

The City of Lemmon's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

September 3, 2014

Kahlman, Bunnell & Arden, P.C.

CITY OF LEMMON
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013

PRIOR AUDIT FINDINGS:

2012-01

A material weakness was reported for a lack of segregation of duties for revenues, cash, indebtedness, receivables, inventories, payables, capital assets, equity, expenditures and payroll. This condition is restated as current audit finding 2013-01.

2012-02

A material weakness was reported for not maintaining proper fixed asset records to support the amounts reported for general fixed assets, enterprise fixed assets and depreciation expense; therefore, the City is not in compliance with SDCL 5-24-4. This comment has not been corrected and is restated as current audit finding 2013-04.

2012-03

A material weakness was reported for not maintaining sufficient inventory records for the governmental activities, business-type activities and each major fund. The City of Lemmon has an inventory listing but it does not contain any values; therefore, the City is not in compliance with SDCL 5-24-2. This comment has not been corrected and is restated as current audit finding 2013-03.

2012-04

A material weakness was reported for a lack of internal control structure to provide for the recording of all necessary material adjustments. This comment has not been corrected and is restated as current audit finding 2013-02.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2013

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2013-01

Criteria

Internal control can help the City achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the City complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for revenues, receivables, inventories, payables, indebtedness, capital assets, equity, cash, expenditures and payroll which could result in errors not being found in a timely manner.

Effect

The City of Lemmon has a limited number of employees who prepare all records for revenues, receivables, inventories, payables, indebtedness, capital assets, equity, cash, expenditures and payroll. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Recommendation

We recommend the City Council take a more active role in their oversight of revenues, receivables, inventories, payables, indebtedness, capital assets, equity, cash, expenditures and payroll.

Corrective Action Plan

The City of Lemmon has determined that it is not cost beneficial to employ additional personnel to be able to adequately segregate duties for revenues, receivables, inventories, payables, indebtedness, capital assets, equity, cash, expenditures and payroll and accepts the risks involved. The Council is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. Peter Butterfield, Finance Committee, is the person responsible for the corrective action plan for this finding.

2013-02

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2013
(Continued)

Effect

This condition may affect the City's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan

The City of accepts the risks associated with this deficiency. The Council is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. The contact person for this finding is Peter Butterfield, Finance Committee.

2013-03

Criteria

The City of Lemmon is responsible for maintaining accurate records for amounts reported as inventories for governmental activities, business-type activities and each major fund.

Condition Found

A material weakness was reported for not maintaining sufficient inventory records for the governmental activities, business-type activities and each major fund. The City of Lemmon has an inventory listing but the report does not contain any values; therefore, the City is not in compliance with SDCL 5-24-2.

Effect

This has resulted in diminished controls over inventories and can result in misleading information being presented to users of the financial statements.

Recommendation

We recommend the City Council prepare an inventory listing using the actual cost or the estimated cost at the time of acquisition.

Corrective Action Plan

The City will review the cost versus the benefits of completing an inventory. The contact person for this finding is Peter Butterfield, Finance Committee.

2013-04

Criteria

The City of Lemmon is responsible for maintaining proper general fixed asset, enterprise fixed asset, and depreciation records.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2013
(Continued)

Condition Found

A material weakness was reported for a lack of proper fixed asset records to support the amounts reported for general fixed assets, enterprise fixed assets and depreciation expense; therefore, the City is not in compliance with SDCL 5-24-4.

Effect

This has resulted in diminished controls over fixed assets and can result in misleading information being presented to users of the financial statements.

Recommendation

We recommend general fixed asset, enterprise fixed asset and depreciation records be established and maintained.

Corrective Action Plan

The City of Lemmon will review the costs and the benefits associated with correcting this deficiency. The contact person for this finding is Peter Butterfield, Finance Committee.

2013-05

Criteria

SDCL 4-5-6 states any public funds which will not be needed for current operating expenses may be invested in: (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly including, without limitation, United States treasury bills, notes, bonds, and other obligations issued or directly or indirectly guaranteed by the United States government, or otherwise directly or indirectly backed by the full faith and credit of the United States government; provided that, for other than permanent, trust, retirement, building, and depreciation reserve funds, such securities shall either mature within eighteen months from the date of purchase or be redeemable at the option of the holder within eighteen months from the date of purchase; or (b) repurchase agreements fully collateralized by securities described in (a) and meeting the requirements of § 4-5-9, if the repurchase agreements are entered into only with those primary reporting dealers that report to the Federal Reserve Bank of New York and with the one hundred largest United States commercial banks, as measured by domestic deposits; or (c) in shares of an open-end, no-load fund administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933 and whose only investments are in securities described in (a) and repurchase agreements described in (b).

Condition Found

The City has ownership of common stock in Principal Financial Group, Inc.

Effect

The City is not in compliance with SDCL 4-5-6.

Recommendation

We recommend the City sell the stock as soon as it is financially prudent to do so and invest the proceeds in a manner that conforms with SDCL 4-5-6.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2013
(Continued)

Corrective Action Plan

The City of Lemmon intends to liquidate the stock as soon as possible. The contact person for this finding is Peter Butterfield, Finance Committee.

2013-06

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Condition Found

The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

Effect

This condition may affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan

Both management and the City Council have been informed of this condition and are confident that the information is accurate and are willing to accept this risk. Peter Butterfield, Finance Committee, is responsible for the corrective action plan for this finding.

Closing Conference

The contents of this report were discussed with Neal Pinnow, Mayor; Barb Bartell, Finance Officer; Annette Dalzell, Assistant Finance Officer; and Melissa Reede, Council Member; on April 23, 2014.

KOHLMAN, BIRSCHBACH & ANDERSON, LLP

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WITH OFFICE IN

MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

City Council
City of Lemmon
Lemmon, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemmon, South Dakota, as of December 31, 2013, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the Table of Contents. Management has elected to omit the related notes to the financial statements; therefore, we did not audit the related notes.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Lemmon Housing and Redevelopment Commission, which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Lemmon, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Governmental and Business-Type Activities

Management has not prepared notes to the financial statements or maintained proper general fixed assets or inventory records in the governmental activities, business-type activities, and each major fund. Accounting principles generally accepted in the United States of America require that numerous disclosures be made, fixed assets and inventory be properly recorded, which would affect assets, net position, and expenses of the governmental activities, business-type activities and each major fund. The amount by which this departure would affect the assets, net position and expenses of the governmental activities, business-type activities and each major fund has not been determined.

The City has not prepared notes to the financial statements. As a result, numerous disclosures required by U.S. generally accepted accounting principles are not made a part of these financial statements. The amount by which this departure would affect these financial statements is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental and Business-Type Activities" paragraph, the financial statements referred to previously do not present fairly the financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemmon as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, based on the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component unit of the City of Lemmon as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As presented on the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, the City had a prior period adjustment to account for common stock acquired through the demutualization of an insurance company. The City obtains life insurance on City employees. The life insurance is paid for by the City, as a benefit of employment, with the death benefit to be paid to the employee's designated beneficiary. Ownership was discovered during our audit and no transactions were previously recorded in the accounting records.

Other Matters

The City has omitted the Management's Discussion and Analysis (MD&A) and the Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, however, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental and Business-Type Activities" paragraph, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities and the changes in financial position. Therefore, we do not express an opinion on the accompanying combining and individual nonmajor fund financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 3, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Kahlum, Dinkhal & Jordan, LLP

September 3, 2014

CITY OF LEMMON
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	PRIMARY GOVERNMENT			9/30/2013 Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 124,961	\$ 437,417	\$ 562,378	\$ 129,261
Investments	755,546	-	755,546	-
Accounts receivable, net	303,230	24,077	327,307	167
Inventories	4,293	-	4,293	2,165
Other assets	3,565	-	3,565	5,740
Restricted Assets:				
Cash and cash equivalents	45,800	41,121	86,921	9,447
Investments	-	500,000	500,000	-
Capital Assets:				
Land, improvements and construction in progress	166,111	-	166,111	74,489
Other capital assets, net of depreciation	2,116,182	2,204,385	4,320,567	1,245,873
TOTAL ASSETS	<u>3,519,688</u>	<u>3,207,000</u>	<u>6,726,688</u>	<u>1,467,142</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES:				
Accounts payable	90,606	-	90,606	5,960
Other current liabilities	754	46,313	47,067	25,958
Noncurrent Liabilities:				
Due within one year	28,887	-	28,887	29,843
Due in more than one year	21,377	2,373	23,750	590,697
TOTAL LIABILITIES	<u>141,624</u>	<u>48,686</u>	<u>190,310</u>	<u>652,458</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION:				
Net investment in capital assets	2,282,293	2,204,385	4,486,678	701,988
Restricted for:				
Debt service purposes	7,500	-	7,500	-
Permanently restricted purposes:				
Other purposes	170,185	500,000	670,185	-
Unrestricted	918,086	453,929	1,372,015	112,696
TOTAL NET POSITION	<u>\$ 3,378,064</u>	<u>\$ 3,158,314</u>	<u>\$ 6,536,378</u>	<u>\$ 814,684</u>

CITY OF LEMMON
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			9/30/2013 Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 178,678	\$ 70	\$ 14,293	\$ -	\$ (164,315)	\$ -	\$ (164,315)	
Public safety	243,056	8,494	-	-	(234,562)	-	(234,562)	
Public works	534,327	214,379	80,982	271,174	32,208	-	32,208	
Health and welfare	8,104	105	-	-	(7,999)	-	(7,999)	
Culture and recreation	143,364	18,329	1,824	1,384	(121,827)	-	(121,827)	
Conservation and development	118,268	-	-	-	(118,268)	-	(118,268)	
Miscellaneous expenditures	-	49,786	-	-	49,786	-	49,786	
*Interest on long-term debt	1,805	-	-	-	(1,805)	-	(1,805)	
Total Governmental Activities	1,227,602	291,163	97,099	272,558	(566,782)	-	(566,782)	
Business-Type Activities:								
Water	303,250	379,428	-	-	-	76,178	76,178	
Sewer	53,011	85,029	-	-	-	32,018	32,018	
Total Business-Type Activities	356,261	464,457	-	-	-	108,196	108,196	
Total Primary Government	\$ 1,583,863	\$ 755,620	\$ 97,099	\$ 272,558	(566,782)	108,196	(458,586)	
Component Unit:								
Housing and Redevelopment Commission	\$ 351,875	\$ 220,378	\$ 62,104	\$ -				\$ (69,393)
General Revenues:								
Taxes:								
Property taxes					499,530	-	499,530	-
Sales taxes					626,347	-	626,347	-
State shared revenues					22,190	-	22,190	-
Grants and contributions not restricted to specific programs					-	-	-	24,112
Unrestricted investment earnings					21,088	-	21,088	319
Miscellaneous revenue					5,725	-	5,725	-
Total General Revenues					1,174,880	-	1,174,880	24,431
Change in Net Position					608,098	108,196	716,294	(44,962)
Net Position - Beginning					2,746,751	3,050,118	5,796,869	859,646
Prior Period Adjustment					23,215	-	23,215	-
Adjusted Net Position - Beginning					2,769,966	3,050,118	5,820,084	859,646
Net Position - Ending					\$ 3,378,064	\$ 3,158,314	\$ 6,536,378	\$ 814,684

*The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

CITY OF LEMMON
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General Fund	Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
ASSETS:				
Cash and cash equivalents	\$ 93,309	\$ -	\$ 31,652	\$ 124,961
Investments	631,318	-	124,228	755,546
Taxes receivable - delinquent	14,643	-	-	14,643
Accounts receivable, net	2,185	-	-	2,185
Unbilled accounts receivable	12,941	-	-	12,941
Due from Capital Project Fund	172,367	-	-	172,367
Due from Special Revenue Funds	16,964	-	-	16,964
Due from General Fund	-	-	12,408	12,408
Due from federal government	8,593	149,500	4,930	163,023
Due from state government	102,133	8,305	-	110,438
Inventory of supplies	4,293	-	-	4,293
Prepaid expenses	3,565	-	-	3,565
Restricted cash and cash equivalents	45,800	-	-	45,800
TOTAL ASSETS	<u>1,108,111</u>	<u>157,805</u>	<u>173,218</u>	<u>1,439,134</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,108,111</u>	<u>\$ 157,805</u>	<u>\$ 173,218</u>	<u>\$ 1,439,134</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 233	\$ 90,373	\$ -	\$ 90,606
Due to General Fund	-	172,367	16,964	189,331
Due to other funds	12,408	-	-	12,408
Accrued taxes payable	754	-	-	754
TOTAL LIABILITIES	<u>13,395</u>	<u>262,740</u>	<u>16,964</u>	<u>293,099</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	<u>13,724</u>	<u>-</u>	<u>-</u>	<u>13,724</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>13,724</u>	<u>-</u>	<u>-</u>	<u>13,724</u>
FUND BALANCES:				
Nonspendable				
Prepaid purposes	3,565	-	-	3,565
Inventory purposes	4,293	-	-	4,293
Perpetual care of cemetery purposes	-	-	33,708	33,708

	General Fund	Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Restricted:				
Bamblle Petrified Park purposes	-	-	122,546	122,546
General Parks	43,238	-	-	43,238
Landfill Building	7,500	-	-	7,500
Library Expansion	1,869	-	-	1,869
Playground Equipment	2,532	-	-	2,532
Assigned:				
Fire Department	30,061	-	-	30,061
General Parks	6,000	-	-	6,000
Street Department	10,189	-	-	10,189
Swimming Pool	15,000	-	-	15,000
Unassigned	<u>956,745</u>	<u>(104,935)</u>	<u>-</u>	<u>851,810</u>
TOTAL FUND BALANCES	<u>1,080,992</u>	<u>(104,935)</u>	<u>156,254</u>	<u>1,132,311</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,108,111</u>	<u>\$ 157,805</u>	<u>\$ 173,218</u>	<u>\$ 1,439,134</u>

CITY OF LEMMON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2013

Total Fund Balances - Governmental Funds \$ 1,132,311

Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not financial resources and therefore
are not reported in the funds. 2,282,293

Long-term liabilities, including bonds payable and accrued leave payable, are not due and
payable in the current period and therefore are not reported in the funds.

Accrued leave	\$ 10,951	
Other long-term debt	<u>39,313</u>	(50,264)

Assets, such as taxes receivable (delinquent) and special assessment receivables (current,
delinquent and deferred), are not available to pay for current period expenditures and
therefore are deferred in the funds.

Property taxes	<u>\$ 13,724</u>	<u>13,724</u>
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Net Position - Governmental Activities \$ 3,378,064

CITY OF LEMMON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

	General Fund	Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
General property taxes	\$ 504,471	\$ -	\$ -	\$ 504,471
General sales and use taxes	626,347	-	-	626,347
Amusement taxes	468	-	-	468
Penalties and interest on delinquent taxes	3,039	-	-	3,039
Licenses and Permits	14,293	-	-	14,293
Intergovernmental Revenue:				
Federal grants	8,593	241,361	4,930	254,884
State grants	-	16,290	-	16,290
State shared revenue:				
Bank franchise tax	5,129	-	-	5,129
Motor vehicle commercial prorate	7,313	-	-	7,313
Liquor tax reversion	8,999	-	-	8,999
Motor vehicle licenses (5%)	17,226	-	-	17,226
Local government highway and bridge fund	56,443	-	-	56,443
State payments in lieu of taxes	8,062	-	-	8,062
Charges for Goods and Services:				
General government	70	-	-	70
Public safety	8,424	-	-	8,424
Highways and streets	4,600	-	-	4,600
Sanitation	193,827	-	-	193,827
Health	105	-	-	105
Culture and recreation	18,329	-	-	18,329
Cemetery	-	-	841	841
Fines and Forfeits:				
Court fines and costs	70	-	-	70
Miscellaneous Revenue:				
Investment earnings	20,791	-	297	21,088
Rentals	15,111	-	-	15,111
Contributions and donations from private sources	3,208	-	-	3,208
Liquor operating agreement income	49,786	-	-	49,786
Other	5,725	-	-	5,725
TOTAL REVENUE	1,580,429	257,651	6,068	1,844,148

EXPENDITURES:

 General Government:

Executive	38,325	-	-	38,325
Elections	479	-	-	479
Financial administration	97,820	-	-	97,820
Other	41,567	-	-	41,567

 Public Safety:

	General Fund	Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Police	199,375	-	-	199,375
Fire	48,155	-	-	48,155
Public Works:				
Highways and streets	309,569	-	-	309,569
Sanitation	190,125	-	-	190,125
Airport	26,323	-	-	26,323
Cemeteries	-	-	22,522	22,522
Health and Welfare:				
Health	104	-	-	104
Home health	1,000	-	-	1,000
Mental health centers	1,000	-	-	1,000
Hospitals, nursing homes and rest homes	6,000	-	-	6,000
Culture and Recreation:				
Recreation	53,526	-	-	53,526
Parks	58,437	-	1,007	59,444
Libraries	30,394	-	-	30,394
Conservation and Development:				
Urban redevelopment and housing	3,750	-	-	3,750
Economic development and assistance (industrial development)	84,500	-	-	84,500
Economic opportunity	30,018	-	-	30,018
Debt Service	27,051	-	-	27,051
Capital Outlay	6,700	344,974	-	351,674
TOTAL EXPENDITURES	<u>1,254,218</u>	<u>344,974</u>	<u>23,529</u>	<u>1,622,721</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>326,211</u>	<u>(87,323)</u>	<u>(17,461)</u>	<u>221,427</u>
OTHER FINANCING SOURCES:				
Compensation for loss or damage to capital assets	13,206	-	-	13,206
TOTAL OTHER FINANCING SOURCES	<u>13,206</u>	<u>-</u>	<u>-</u>	<u>13,206</u>
NET CHANGE IN FUND BALANCES	<u>339,417</u>	<u>(87,323)</u>	<u>(17,461)</u>	<u>234,633</u>
FUND BALANCE - BEGINNING	718,360	(17,612)	173,715	874,463
PRIOR PERIOD ADJUSTMENT	<u>23,215</u>	<u>-</u>	<u>-</u>	<u>23,215</u>
ADJUSTED FUND BALANCE - BEGINNING	<u>741,575</u>	<u>(17,612)</u>	<u>173,715</u>	<u>897,678</u>
FUND BALANCE - ENDING	<u>\$1,080,992</u>	<u>\$ (104,935)</u>	<u>\$ 156,254</u>	<u>1,132,311</u>

CITY OF LEMMON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 234,633

Amounts reported for governmental activities in the statement of activities
are different because:

This amount represents capital asset purchases which are reported as expenditures on the
fund financial statements but increase assets on the government-wide statements. 351,673

Payment of principal on long-term debt is an expenditure in the governmental funds but the
payment reduces long-term liabilities in the statement of net position.

Other long-term debt \$ 25,246 25,246

Governmental funds recognize expenditures for amounts of compensated absences actually
paid to employees with current financial resources during the fiscal year. Amounts of
compensated absences earned by employees are not recognized in the funds. In the
statement of activities, expenses for these benefits are recognized when the employees
earn leave credits.

Vacation leave \$ (4,994) 4,994

The fund financial statement governmental fund property tax accruals differ from the
government-wide statement property tax accruals in that the fund financial statements
require the amounts to be "available". (8,448)

Change in Net Position of Governmental Activities \$ 608,098

CITY OF LEMMON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 285,809	\$ 151,608	\$ 437,417
Accounts receivable, net	18,094	5,983	24,077
Total Current Assets	303,903	157,591	461,494
Noncurrent Assets:			
Restricted cash and cash equivalents	41,121	-	41,121
Restricted investments	-	500,000	500,000
Capital Assets:			
Improvements other than buildings	2,834,199	-	2,834,199
Machinery and equipment	11,350	77,072	88,422
Less: accumulated depreciation	(693,332)	(24,904)	(718,236)
Total Noncurrent Assets	2,193,338	552,168	2,745,506
TOTAL ASSETS	2,497,241	709,759	3,207,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-
LIABILITIES:			
Current Liabilities:			
Customer deposits	46,313	-	46,313
Total Current Liabilities	46,313	-	46,313
Noncurrent Liabilities:			
Accrued leave payable	2,053	320	2,373
Total Noncurrent Liabilities	2,053	320	2,373
TOTAL LIABILITIES	48,366	320	48,686
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION:			
Net investment in capital assets	2,152,217	52,168	2,204,385
Restricted for:			
Equipment repair and/or replacement	-	500,000	500,000
Unrestricted	296,658	157,271	453,929
TOTAL NET POSITION	\$ 2,448,875	\$ 709,439	\$ 3,158,314

CITY OF LEMMON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Totals
OPERATING REVENUE:			
Charges for goods and services	\$ 379,428	\$ 85,029	\$ 464,457
TOTAL OPERATING REVENUE	<u>379,428</u>	<u>85,029</u>	<u>464,457</u>
OPERATING EXPENSES:			
Personal services	51,613	8,800	60,413
Other current expense	29,103	44,211	73,314
Materials (cost of goods sold)	<u>222,534</u>	<u>-</u>	<u>222,534</u>
TOTAL OPERATING EXPENSES	<u>303,250</u>	<u>53,011</u>	<u>356,261</u>
CHANGE IN NET POSITION	76,178	32,018	108,196
NET POSITION - BEGINNING	<u>2,372,697</u>	<u>677,421</u>	<u>3,050,118</u>
NET POSITION - ENDING	<u>\$ 2,448,875</u>	<u>\$ 709,439</u>	<u>\$ 3,158,314</u>

CITY OF LEMMON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

	Business-Type Activities Enterprise Funds		Totals
	Water Fund	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 379,428	\$ 85,029	\$ 464,457
Cash payments to employees for services	(51,613)	(8,758)	(60,371)
Cash payments to suppliers of goods and services	<u>(250,538)</u>	<u>(44,211)</u>	<u>(294,749)</u>
Net cash provided by operating activities	<u>77,277</u>	<u>32,060</u>	<u>109,337</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	<u>-</u>	<u>(24,685)</u>	<u>(24,685)</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(24,685)</u>	<u>(24,685)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	77,277	7,375	84,652
BALANCES - BEGINNING	<u>249,654</u>	<u>144,234</u>	<u>393,888</u>
BALANCES - ENDING	<u>\$ 326,931</u>	<u>\$ 151,609</u>	<u>\$ 478,540</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 76,178	\$ 32,018	\$ 108,196
Change in assets and liabilities:			
Customer deposits	865	-	865
Accrued leave payable	<u>234</u>	<u>42</u>	<u>276</u>
Net cash provided by operating activities	<u>\$ 77,277</u>	<u>\$ 32,060</u>	<u>\$ 109,337</u>

SUPPLEMENTARY INFORMATION

CITY OF LEMMON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	Bambl Petrified Park Fund	Cemetery Perpetual Care Fund	Total Nonmajor Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
ASSETS:			
Cash and cash equivalents	\$ 31,652	\$ -	\$ 31,652
Investments	78,486	45,742	124,228
Due from General Fund	12,408	-	12,408
Due from federal government	-	4,930	4,930
TOTAL ASSETS	122,546	50,672	173,218
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 122,546	\$ 50,672	\$ 173,218
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:			
LIABILITIES:			
Due to General Fund	\$ -	\$ 16,964	\$ 16,964
TOTAL LIABILITIES	-	16,964	16,964
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-
FUND BALANCES:			
Nonspendable:			
Perpetual care of cemetery purposes	-	33,708	33,708
Restricted:			
Bambl Petrified Park purposes	122,546	-	122,546
TOTAL FUND BALANCES	122,546	33,708	156,254
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 122,546	\$ 50,672	\$ 173,218

CITY OF LEMMON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

	Bambl Petrified Park Fund	Cemetery Perpetual Care Fund	Total Nonmajor Governmental Funds
REVENUES:			
Intergovernmental Revenue:			
Federal grants	\$ -	\$ 4,930	\$ 4,930
Charges for Goods and Services:			
Cemetery	-	841	841
Miscellaneous Revenue:			
Investment earnings	<u>7</u>	<u>290</u>	<u>297</u>
TOTAL REVENUE	<u>7</u>	<u>6,061</u>	<u>6,068</u>
EXPENDITURES:			
Public Works:			
Cemeteries	-	22,522	22,522
Culture and Recreation:			
Parks	<u>1,007</u>	<u>-</u>	<u>1,007</u>
TOTAL EXPENDITURES	<u>1,007</u>	<u>22,522</u>	<u>23,529</u>
NET CHANGE IN FUND BALANCES	(1,000)	(16,461)	(17,461)
FUND BALANCE - BEGINNING	<u>123,546</u>	<u>50,169</u>	<u>173,715</u>
FUND BALANCE - ENDING	<u>\$ 122,546</u>	<u>\$ 33,708</u>	<u>\$ 156,254</u>